



November 9, 1999

MEMORANDUM FOR: FEDERAL CO-CHAIRMAN AND
ARC EXECUTIVE DIRECTOR

FROM: HUBERT N. SPARKS
INSPECTOR GENERAL

A handwritten signature in cursive script that reads "Hubert Sparks".

SUBJECT: OIG Reports 99-19(H), 99-24(H), 99-31(H),
99-32(H) and 99-41(H)
Grant Nos. KY-11586-94, TN-12930-98, OH-12622-97,
OH-12727-97 and NC-12345-97

The reviews covered projects dealing with rural health and wellness, entrepreneurial initiative, facilities planning, telecommunications equipment and leadership development training.

Open issues pertain to (1) the support for \$76,917 in matching contributions for the rural health and wellness project conducted by Prestonburg Kentucky Community College; (2) year end adjustments to indirect costs for the technology 2020 entrepreneurial initiative; (3) submission of reports, contractor selection process and expenditures prior to the grant period by The Wilds in connection with a facilities planning project; and (4) return of \$8,992 in unspent funds and supporting documentation for \$189,000 in matching contributions by Ohio University Southern Campus for a telecommunications project.

Enclosures


cc: Judy Rae



January 4, 2000

MEMORANDUM FOR MR. WYNN BEARD, TICHENOR AND ASSOCIATES
SUBJECT: Reports 99-18(H) and 99-19(H), Prestonsburg Community College

Enclosed are additional responses that I should have forwarded sooner for your comment.
Hopefully, the information is sufficient and clear enough to resolve the open matching issues.


Hubert N. Sparks
Inspector General

Enclosures

**MEMORANDUM REPORT ON REVIEW OF
PRESTONSBURG COMMUNITY COLLEGE
PRESTONSBURG, KENTUCKY**

Rural Health and Wellness Program

ARC Grant No: KY-11586-94-I-202-0429

November 1, 1994 through April 30, 1996

CAUTION: *Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 522 (b)(4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.*

Report Number: 99-19 (H)

Date: September 30, 1999

**MEMORANDUM REPORT ON REVIEW OF
PRESTONSBURG COMMUNITY COLLEGE
PRESTONSBURG, KENTUCKY**

Rural Health and Wellness Program

ARC Grant No: KY-11586-94-I-202-0429

November 1, 1994 through April 30, 1996

Prepared By:

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TO: Appalachian Regional Commission (ARC)
Office of Inspector General (OIG)

FROM: Tichenor & Associates
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman
ARC Executive Director
OIG Report Number 99-19 (H)

SUBJECT TO: Memorandum Review Report on Prestonsburg Community College, Rural
Health and Wellness Program, Prestonsburg, Kentucky, ARC Grant Number
KY-11586-94-I-202-0429.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by Prestonsburg Community College for its Rural Health and Wellness Program were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grant have been met.

BACKGROUND: ARC awarded Grant Number KY-11586-94-I-202-0429 to Prestonsburg Community College for the period November 1, 1994 through April 30, 1996. Total grant funding was for an amount not to exceed \$355,420, or approximately 48 percent of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant be matched with \$378,749 or 52% in cash, contributed services, and in-kind contributions as approved by ARC. ARC funding was made available through Department of Health and Human Services (HHS). The project was to provide primary care and prevention services to the community college students. The program will also serve as a clinical laboratory for medical, physician assistant, nursing, dental and other health professional students. Grant funds will also be used to establish a telemedicine component at the community college to ensure quality care and consultation for the students. The services to be offered through Prestonsburg Community College Health Service include unlimited visits with the medical staff for illness or minor injury, laboratory and X-ray services, gynecology services for women,

physical exams, medications, health education and primary prevention services.

The specific tasks were to:

- Provide health services that are typical of services required by other community residents;
- Limit eligibility to those students enrolled full-time and in good academic standing. ARC funds will only be used to assist those students receiving the maximum amount of PELL assistance, and having “unmet” financial need as determined by the financial aid department; and
- Establish a telemedicine component.

SCOPE: We performed a program review of the grant as described in the Purpose, above. Our review was based on the terms of the grant project announcement and on the application of certain review procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the Rural Health and Wellness Program had been established, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if the Prestonsburg Community College had complied with the requirements of the grant award. In addition, we discussed the program objectives and performance with Prestonsburg Community College personnel. Our results and recommendations are based on these procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at Prestonsburg Community College in Prestonsburg, Kentucky on March 15, 1999, and at the University of Kentucky in Lexington, Kentucky on March 22 through 26, 1999.

A. Incurred Costs

The Prestonsburg Community College incurred total program cost of \$705,452 and claimed ARC reimbursable costs from November 1, 1994 through April 30, 1996 of \$354,757 and in-kind cost of \$350,695. We reviewed the direct and in-kind cost incurred and determined that, in general, the funds had been expended as reported by Prestonsburg Community College. However, \$28,054 in required matching costs were not met by the end of the grant period. In addition, we found that \$137,144 in matching costs claimed were actually ARC funds paid as scholarships for needy students. Also, \$663 in ARC funds were never drawdown from HHS by Prestonsburg Community College. These issues are discussed below.

1. ARC Direct Costs Claimed as Match and Matching Costs Not Met

Prestonsburg Community College claimed \$137,144 of student scholarships as match that were paid with ARC funds. Also, \$28,054 in required matching costs were not met by the end of the grant period, April 30, 1996. Therefore, we questioned matching funds totaling \$165,198, \$137,144 of which concerned expenditures identified as part of the \$350,695 of in-kind contributions and

\$28,054 identified as the shortage in total reported match.

Included in Prestonsburg Community College, Project Health Application was a proposal to offer "scholarships" to the most needy (estimated 1750 students) for the mandatory student health fee during the first year of operations. These scholarships were claimed as a direct expense and charged to the ARC grant. The subsequent credit on Prestonsburg Community College general ledger was to income in the grant matching account. The grant matching account was used to track all matching costs under the grant paid by Prestonsburg Community College. This included salaries and benefits of personnel working in the rural health clinic, maintenance workers who remodeled the health clinic and fitness center, and supplies and equipment. As a result, \$137,144 of ARC direct costs claimed as scholarships were also claimed as match and used to operate the rural health clinic.

Total grant funding was for an amount not to exceed \$355,420, or approximately 48 percent of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant be matched with \$378,749 or 52% in cash, contributed services, and in-kind contributions as approved by ARC. By the end of the grant period, April 30, 1996, Prestonsburg Community College had matching costs of \$350,695, which was \$28,054 less than the amount required. An alternative computation would be that 48% of project costs of \$705,452 or \$338,617 was eligible for reimbursement, assuming eligibility of the total expenditures.

OMB Circular A-110, Subpart C, Post Award Requirements, .23 Cost sharing or matching states:

" All contributions, including cash and third party in-kind, shall be accepted as part of the recipient's cost sharing or matching when such contributions meet all of the following criteria.

- (1) Are verifiable from the recipient's records;
- (2) Are not included as contributions for any other federally-assisted project or program;
- (3) Are necessary and reasonable for proper and efficient accomplishment of project or program objectives;
- (4) Are allowable under the applicable cost principles;
- (5) Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching
- (6) Are provided for in the approved budget when required by the Federal awarding agency; and
- (7) Conform to other provisions of this Circular, as applicable."

2. ARC Funds Totaling \$663 Should Be Returned

The Prestonsburg Community College claimed ARC reimbursable cost for its Rural Health and Wellness Program totaling \$354,757. ARC's portion was for an amount not to exceed \$355,420, or approximately 48 percent of actual, reasonable and eligible project cost, whichever was less. The ARC grant was administered on behalf of the Department of Health and Human Services (HHS). ARC transferred \$355,420 to HHS to fund the project. As of our fieldwork date, March 26, 1999, HHS has \$663 in unspent ARC grant funds.

B. Internal Controls

We did not identify any internal control weakness that should have affected the accountability of costs or compliance with the terms of the grant agreement.

C. Program Results

Our review of Prestonsburg Community College, Rural Health and Wellness Program, indicated all specific tasks identified in the grant award notification, and summarized above, had been achieved.

DISCUSSION:

We discussed these issues with Prestonsburg Community College management at an exit conference held on April 12, 1999. Management stated that they did not fully understand the findings and couldn't understand how this could have occurred. We faxed additional documentation to support the findings and told management they would be given an opportunity to respond to these findings in our draft report. In summary, there is a need to demonstrate that direct funds were not used as contributions toward the match, i.e., scholarships, and that the total needed match was provided.

OTHER:

We provided a copy of the draft report to the Prestonsburg Community College management on July 6, 1999. Management responded to our findings and recommendations as follows:

The current Budget Manager stated that she realized when the grant was proposed and the budget allocations were made for grant and matching funds, student scholarships were used as a match. Although this was certainly unintentional, it was proposed in this format. It is not understood how the proposal made it through the approval process in this format, but it is understood that more matching costs must be identified. The current Budget Manager was not employed at Prestonsburg Community College during the grant period, and others who worked on grant are no longer at the college. However, the Budget Manager has attempted to identify additional matching costs in the amount of \$141,465. This new match is intended to replace the \$137,144 of student scholarships that were claimed as match but were paid with ARC funds. It was also intended to cover the \$28,054 shortfall in matching costs.

ADDITIONAL COMMENTS AND RECOMMENDATIONS:

The information provided was to support \$165,198 in unsupported matching costs. However, only \$141,465 in support was provided with the response. We reviewed the additional information provided in Prestonsburg Community College's response and accepted \$76,779 for salaries and benefits of the individuals involved with the health and wellness program and \$11,502 of other matching costs. An additional shortfall of \$76,917 has not been supported by Prestonsburg Community College. We recommend that Prestonsburg Community College submit additional supporting invoices and calculations for the additional \$48,863 on matching costs to be substituted as scholarship funds and the \$28,054 not supported as yet. We recommend that ARC assure that Prestonsburg Community College address the matching cost shortage and determine the need for recovery of funds based on the extent of additional information submitted by Prestonsburg Community College.

Tichenor & Associates

TICHENOR & ASSOCIATES

Louisville, Kentucky

April 12, 1999



January 4, 2000


Ms. Michelle Meek, Budget Manager
Office of Business Affairs
Prestonsburg Community College
One Bert T. Combs Drive
Prestonsburg, KY 41653

re: OIG Reports 99-18(H) and 99-19(H), Training
Tomorrow's Work Force and Rural Health and
Wellness Program

Dear Ms. Meek:

My apologies for not responding sooner with respect to the additional information provided to support the match for the subject grants. I have asked the auditors who conducted the work to review the information. The detail provided should enable resolution of the open issues, and I will get back to you shortly.

Sincerely,


Hubert N. Sparks
Inspector General